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## Putin's challenges

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the current dependence on fossil fuel sales. While such a policy may work in the short-term, economic decline and irrelevance are on the horizon as technology changes increase non-Russian fossil fuel production and speed the adoption of alternative energies. Since the current regime fears any sort of change as destabilizing, the situation will remain stable only until the next surprise. Most likely this will be a revolt from below as disgruntled workers compare their declining standard of living with the corrupt leadership.

**Myth #4. Russian Civil Society Has Influence.** Sure some groups can affect policy changes around the edges, such as policies addressing the treatment of orphans, the destruction of stray dogs, or construction in urban areas, but such groups have essentially no voice on national policies that matter, such as the federal budget or the deployment of Russian troops abroad. Most people, young and old, are apolitical and are focused on their careers, their families or their hobbies. Most believe that they cannot change anything any way, so why bother even trying. Such actions are rational at the individual level.

**Myth #5. There Exists such a thing as a Meaningful Russian Nation on this Planet.** The Kremlin propaganda machine likes to promote the Russian nation, both in terms of the ethnic Russians and the broader multi-ethnic patchwork of ethnic groups who live inside the Russian Federation. It even seeks to build ties with Russian-speakers living abroad, in some cases, with suc-

cess. But, in fact, there is no nation as such. Rather the “nation” is a collection of individuals who are pursuing their short-term, individual interests. This collection of individuals does what it has to in order to get by. Except for a few isolated cases, money is a much greater motivator than any national idea. The fact that most people chose to vote for Putin, rather than speaking out honestly about Russia’s problems, proved that once again.

**Myth #6. U.S. Government Engagement with the Putin Regime is a Good Idea.** Working with Putin is pointless for the U.S. government because it only legitimizes a corrupt and illegitimate regime. Mutual assured destruction is the best guarantor that there will be no major wars. The U.S. needs to defend itself against Russian aggressions of all kinds. But it should spend its energy cleaning up its own house and the mounting domestic problems. To the extent that there is engagement, there should be more contacts on the cultural and scientific levels, but even these are increasingly difficult given the Russian obsession with “foreign agents” and “undesirable organizations.” The fundamental problems of Russia’s annexation of Crimea and intervention into the U.S. elections block progress for any U.S. administration. The U.S. will not be able to build any kind of relationship with Russia while the special prosecutor is looking into ties between the Trump campaign and Russia and addressing the possibility of the obstruction of justice.

#### *About the Author*

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## Putin’s Challenges

By Jeronim Perović, University of Zurich

### Introduction

The overwhelming vote for Putin in the presidential elections of March 18, 2018, is not an expression of optimism, but a sober choice for stability and predictability. Russians want a better life and are in favor of reforms, but in times of economic difficulties and international tensions, they prefer national unity and continuity. Putin has been masterfully playing on the people’s fears of radical change, and has been using the image of a hostile West in order to rally the Russians behind the flag. But the president lacks a clear vision for a modern Russia, let alone a concrete program of reforms. His key

goal is to maintain the system of power he created, rely on a strong Russian military, and keep society in check.

### The President’s Rhetoric

Putin is aware of Russia’s challenges. At least at the rhetorical level. During his state of the nation address on March 1, 2018, it came as no surprise that Putin spoke at some length about the need for economic and social reform. After all, with the presidential elections only two weeks away, this was a barely disguised campaign speech. Putin boldly declared that Russia must “assert itself among the five largest global economies, and its

per-capita GDP must increase by 50 percent by the middle of the next decade.” He named healthcare, education, science, technology and infrastructure as key tasks for the future. Most astonishing (or cynical, depending on one’s perspective) was his testimony that to achieve a change for the better, an expansion of “freedom in all spheres,” the strengthening of “democratic institutions, local governments, civil society institutions and courts,” and the opening of Russia to the “world and to new ideas and initiatives” were necessary. He portrayed a country in need of change, and made it clear that he is ready to embrace it.

Such words would normally make the heart of every liberal-minded person jump—if only Putin meant what he said. Since the Russian president has been talking about the necessity of structural reform for a long time, everybody knows that nothing really dramatic is likely to happen any time soon. But most Russians do not seem to mind. To be sure, Russians know perfectly well what democracy is. They are aware that their democratic freedoms and choices have been gradually shrinking since Putin came to power some eighteen years ago.

Moreover, they read the signs and understand that the economic indicators are anything but promising. Real household income has been declining for the fourth consecutive year, while the poverty rate has been growing. Some of Russia’s regions are in dire straits, and more and more people are discontent with their personal situation. But public order, stability and a strong state are important values as well. In fact, many see these as integral elements of a functioning democracy. The tragedy for many Russians was not the disintegration of the Soviet empire but the virtual dissolution of the Russian state that followed. The privatization of the 1990s turned into a ruthless grab for state assets, making a few people very rich, but driving millions into poverty and ill health.

### Cultivating the Myth of the “Wild” 1990s

Putin has been a master in cultivating the myth that everything that happened during the chaotic years of the 1990s was essentially bad, and that it was only thanks to him that the country’s “time of troubles” was overcome, law and order was restored, the specter of the country’s territorial disintegration averted, and economic decline halted. This is not the whole truth, of course. The country’s economic upturn during Putin’s first two terms as president was also a result of the structural reforms of the 1990s. But these seem to be subtleties in the eyes of those who suffered, and the majority of the population subscribe to the Kremlin’s point of view. Russians want a better life, but they dread the prospect of falling back into the chaos of the 1990s.

Many therefore see no alternative to Putin. He got almost 77 percent of the vote in the presidential election because many people chose stability which Putin impersonates. They see Putin as the one who made Russia strong again, enabling Russia to defend itself against seemingly hostile international forces; moreover, as shown by public opinion polls, most Russians continue to support the government’s tough line in domestic and foreign policy affairs. This all fits perfectly well with Putin’s own agenda, as Russian propaganda feeds on people’s belief in an anti-Russian Western conspiracy and the deep seated fears of radical change and revolution, using the cases of Ukraine, Libya or Syria as effective deterrents.

To be sure, the Russian government has been talking about reform for a long time, and many reasonable programs and plans have since been drafted and discussed; and almost ritually, in every state of the nation address, Putin has referred to the need to diversify the economy away from its dependence on raw materials and the necessity to support small- and medium-sized business. But the stability he has built rests to a large degree on a firm grip of the state over key sectors of the economy, mostly oil and gas, and is held together by a system of patronage built around the institution of the presidency.

A significant strengthening of small- and medium-sized business would potentially mean the rise of a class of entrepreneurs who are likely to be less easy to control than a handful of loyal oligarchs. The same goes for the delegation of real power and autonomy to the regions, the empowerment of local governments, or the strengthening of civil society organizations. All this would undermine the system Putin created over the past two decades and that has worked so well for him and the people dependent on it.

### What Really Matters: Russian Military Power

Putin is unlikely to allow change that has the potential to disrupt the system he built, which he views as the only guaranteed way of keeping Russia politically and economically stable and its society under control. But this is only one part of the story: Putin firmly believes that a highly centralized form of governance is an essential condition for the state to channel enough resources into the Russian great-power project. If Putin during the first half of his two-hour state of the nation address made his audience believe that his first priority is indeed the “well-being of the people and the prosperity of Russian families,” he later made certain that everybody understood what his *real* priorities were: to re-store Russia’s rightful place in the world, largely through the build-up of its military capabilities. Putin was sure to portray this

as a mission of peace, not war. He sees “Russia’s growing military power” as a “solid guarantee of global peace,” underlining that, much like during the Cold War, only a strong Russia will make certain to restore and preserve “strategic parity and the balance of forces in the world.”

As if speaking at an international weapons exhibition, Putin dedicated over an hour of his talk to explaining the newest military technology in great detail, displaying videos showing nuclear-powered missiles that can fly at supersonic speed with an “unlimited range,” which are “absolutely invulnerable to any air or missile defense system” and are able to hit any target on the planet. While he mentioned “missile” some sixty times during his talk, and “nuclear” twenty-seven times, the word “democratic” popped up only twice and “civil society” only once. Thus, whatever he was discussing in the first section of his speech paled in light of what he was sharing with his audience later.

His message to the people at home and abroad was clear: Russia is not only back on its feet but able to actively shape international relations; this is good for Russia and the world, and he, Putin, will do everything in his power to ensure that it stays that way. “Russia is not threatening anyone” but wants to “sit down at the negotiating table and devise together a new and relevant system of international security and sustainable development for human civilization.” In short: if the world has ignored Russian interests in the past, now they will listen and eventually talk to Russia, or so Putin believes.

#### *About the Author*

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## Agenda and Challenges for Putin’s New Term

By Nikolay Petrov, National Research University Higher School of Economics (HSE), Moscow

### Finishing the Transition from the “Epoch of Carrots” to the “Epoch of Sticks”

Most likely the next six years of actions by the government will be driven by three major groups of processes: (1) the political regime transformation with the preparation for transfer of power from Putin the President to Putin the leader in another capacity; (2) unpopular economic reforms aimed at the adaptation to a new economic and foreign policy environment, which were postponed for almost three years due to the long federal electoral cycle; and (3) repair and reconstruction of the

### Maintaining the Current System

Clever macroeconomic politics and a rise in oil prices have provided the state with enough financial means to alleviate social hardship and allocate some of the money to the social sphere, not only to the modernization of Russia’s military. But Putin firmly believes that only if Russia is strong (and Russia’s military is currently the most important indicator of how strength is measured) will it succeed in effectively protecting its foreign policy and security interests and maintain national unity at home. Therefore, it is clear where the state’s budgetary priorities lie, if choices need to be made: in the defense and security sector, not so much in healthcare, education and other civil projects. So, this is Putin’s mission for the next years: allow change if such change does not pose any threat to the current system of power and patronage, but do everything that is necessary to maximize Russia’s standing in the world, preferably at low cost to the Russian economy. Putin is not even trying to be enigmatic. His vision, at least when it comes to the creation of a new international order, is abundantly clear. His plan for serious economic and social reform is far less so.

For the time being, it seems the Russians are willing to tighten their belts and carry the costs of Putin’s great-power mission. The president can count on the people’s support, but the Russians will want something tangible in return at some point in the future.

primitive and archaic political system, established at a time of “fat cows” and no longer capable of facing new challenges. Of course, any attempt to implement serious economic reforms, which are badly needed, will cause increasing tensions and crises in the system which has not changed since 2005 and needs to learn anew how to evolve peacefully.

This all means that (1) the Government should be overhauled to become a real team to lead the ship of state through the reefs, instead of being a board of directors to keep the balance between major shareholders; (2) the